

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 1058 - HB 1244**

March 11, 2021

**SUMMARY OF BILL:** Requires all persons bidding on certain public construction projects to have a Tennessee contractor's license prior to bidding on the project and removes a prohibition for the establishment of residency and pay requirements for persons employed by companies by the contracting public entity.

**ESTIMATED FISCAL IMPACT:**

**Other Fiscal Impact – Passage of the proposed language could jeopardize federal funding to the Department of Transportation in FY21-22 and subsequent years. Any other fiscal impact to state and local government is estimated to be not significant.**

Assumptions:

- Tennessee Code Annotated § 12-4-117 prohibits the state or a local government from requiring a bidding company or contractor to employ individuals residing within a certain jurisdiction or establish a specific income range for such employees. This statute was established in 2016 by Public Chapter 587.
- The proposed language applies to any project which expends state or local funds for:
  - The repairing, demolishing, or altering any building; and
  - The building, rebuilding, or repairing any street, highway, or bridge on behalf of this state or a local government.
- Based on information provided by the Department of General Services (DGS):
  - DGS currently requires their applicable contractors to be licensed in Tennessee; and
  - Prior to enactment of Public Chapter 587, DGS did not establish such employment requirements on bidding companies and will not do so if the prohibition is removed.
- Based on information provided by the Department of Transportation (TDOT), the proposed language will place TDOT out of compliance with federal regulation 23 CFR § 635.110, which provides that no requirement for qualification or licensing of contractors shall be approved which may operate to restrict competition, to prevent submission of bid by, or to prohibit the consideration of a bid submitted by, any responsible contractor, whether a resident or nonresident of the state wherein the work is to be performed.
- According to TDOT, the proposed language will place the entirety of TDOT's federal funding, \$921,504,300, at risk for all phases of projects which utilize federal-aid funds.

- Any requirements placed on employers to hire residents of the local government or establish certain pay requirements for employees will not significantly impact contracting terms between local governments and such employers. Any fiscal impact to local government is considered not significant.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Bojan Savic". The signature is written in a cursive, flowing style.

Bojan Savic, Interim Executive Director

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